

Washington State Auditor's Office
Special Education Program Audit
Audit Services

Report No. 58295

SOUTH BEND SCHOOL DISTRICT No. 118

Pacific County, Washington

September 1, 1995 Through August 31, 1996

Issue Date: June 6, 1997

June 6, 1997

I am pleased to report the results of our program audit of South Bend School District No. 118 Special Education Program covering the period September 1, 1995, through August 31, 1996. This report was prepared under the authority granted by Chapter 283, Laws of 1996.

Our audit gives an independent, accurate assessment of the condition of the program during the period we reviewed. I hope it is used as a constructive management tool to help the school districts improve their operations and to help the Legislature and others in policy decisions on special education funding.

Sincerely,

BRIAN SONNTAG, CGFM
STATE AUDITOR

Copies transmitted to:

Bryan Harrison, Chair of the Board of Directors
Nick Johnson, Superintendent
David Wright, Special Education Director
Terri Coon, Administrative Assistant
Educational Service District No. 113
Marcelyn A. Senger, School Business Services-Supervisor of Audit Management and
Resolution, Superintendent of Public Instruction
Safety Net Committee
Jim West, Chair, Senate Ways and Means Committee
Tom Huff, Chair, House Appropriations Committee
Cheryle Broom, Legislative Auditor, Joint Legislative Audit and Review Committee
Edith Harding, Washington State Institute for Public Policy
Laurie Fortier, State Publication Distribution, State Library
The Honorable Christine O. Gregoire, Attorney General, Office of the Attorney General

TABLE OF CONTENTS

	Page
Report Summary	
Background	1
Audit Results	1
Report Detail	
Introduction	5
Background	5
Audit Scope	6
School District Description	6
Audit Results	6
Additional Information	10
Addendum	
Directory Of Officials	12

South Bend School District No. 118

Special Education Program Audit

Report Summary

BACKGROUND

The State Auditor's Office was given responsibility for auditing special education programs by the Legislature. Lawmakers were concerned about special education programs that exhibit unusual rates of growth, extraordinarily high costs or other characteristics requiring the attention of the State Special Education Safety Net Committee. The Safety Net Committee was created to oversee state and federal special education funds set aside by the Legislature to assist school districts with demonstrated financial or program needs not met through the special education funding formula.

The South Bend School District is among approximately 20 school districts to be selected for a program audit this fiscal year. The district was selected based upon the change in its special education population and its application for additional funding through the state safety net in 1995-96.

AUDIT RESULTS

Objective 1:

To determine whether the South Bend School District Special Education Program effectively and efficiently provides a Free and Appropriate Public Education (FAPE) to special education students as defined by the *Washington Administrative Code* (WAC).

Conclusions:

- In our opinion, the district provides FAPE to special education students. The services are designed to meet the needs of students with disabilities to the same extent as students without disabilities.
- The district has begun to limit its referrals to special education as part of an effort to decrease its special education enrollment. The district is doing this by taking a closer look at students to assess whether they are "in need of special education services" and considering more education alternatives before referring students to special education.
- The majority of the district's special education students are served in a traditional resource room, pull-out program.

District Response:

No response.

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Objective 2:

To evaluate the South Bend School District Special Education Program system of internal controls that ensure compliance with state and federal special education requirements.

Conclusion:

- The district has adequate internal control policies and procedures.

District Response:

No response.

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Objective 3:

To verify that the South Bend School District Special Education Program Individual Education Programs (IEPs) are appropriate and properly prepared.

Conclusion:

- The 22 special education files reviewed contained IEPs that were appropriate and properly prepared.

District Response:

No response.

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Objective 4:

To determine why the South Bend School District Special Education Program exhibits high rates of growth, extraordinarily high costs or other characteristics that require the attention of the Safety Net Committee.

Conclusion:

- The district received Maintenance of Effort State Revenue (MOESR) and one high cost student award from the safety net in 1995-96. We reviewed the high cost award and found it was appropriate.
- The district has a higher percentage of students with mental retardation than state averages. We were unable to determine the reason for this higher percentage and the possible future effects on the district.
- The district accounts for all special education expenditures, including the portion related to basic education revenue, within the special education program. This may affect the district's ability to meet federal maintenance of effort requirements if special education program expenditures are limited to excess cost in the future. We recommend the district work with the Office of Superintendent of Public Instruction to ensure the district's maintenance of effort tests are properly performed.

District Response:

No response.

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Objective 5:

To identify elements of the South Bend School District Special Education Program that could be considered for implementation at other school districts.

Conclusion:

- We did not identify specific elements of the district program that could be considered for use at other districts, however, the district is committed to meeting the needs of its students.

District Response:

No response.

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The basis for our conclusions and the district's full response is included in the Report Detail section.

South Bend School District No. 118

Special Education Program Audit

Report Detail

INTRODUCTION

This report contains the results of a program audit we performed on the South Bend School District Special Education Program. Our audit covered the 1995-96 school year. The field work was completed on February 25, 1997.

BACKGROUND

In 1995, the Legislature revised the state special education funding formula (Chapter 18, 2nd Special Session, Laws of 1995). The formula incorporates three significant changes: (1) the move to an “excess cost” funding model that includes only the costs of a child’s special education above basic education funding, (2) establishment of a maximum index of eligible special education enrollment per district and (3) a single allocation of funds per student without regard to a student’s disability.

The Legislature set aside nearly \$40 million in state and federal funds to assist school districts with demonstrated financial or program needs not met through the funding formula. This “safety net” was required due to a 1987 court decision in the case, *Washington State Special Education Coalition v. State of Washington*. The court requires the state to provide a safety net when special education funding is based upon statewide averages. A State Special Education Safety Net Committee was created to review applications for safety net funds. The State Auditor’s Office was given responsibility for auditing special education programs exhibiting unusual rates of growth, extraordinarily high costs or other characteristics requiring the attention of the Safety Net Committee.

This audit was conducted in accordance with the legislation that assigned the State Auditor’s Office responsibility for auditing special education programs. The South Bend School District is among approximately 20 districts to be selected for a program audit this fiscal year. The district’s program was selected based on two factors. First, the overall decrease or change in the special education population between 1994-95 and 1995-96. The second factor was the applications submitted to the Safety Net Committee.

AUDIT SCOPE

We examined student Individual Education Programs (IEPs) and other district records concerning the assessment and evaluation of students. We reviewed the special education program for efficiency and effectiveness. We also looked at records and data to determine the accuracy of statements made to the Safety Net Committee.

The methods used to perform this audit included detailed reviews of district records, staff interviews, observation of the program and analysis of data derived from the district and other sources when appropriate. Specific methods used for the examination of each audit objective are detailed in the working papers.

SCHOOL DISTRICT DESCRIPTION

South Bend School District is a municipal corporation organized pursuant to Title 28A *Revised Code of Washington* (RCW) to provide public school services to students in grades K-12. Five elected board members have oversight responsibility for the district. The board appoints district management and has fiscal responsibility for the district.

District officials who were key contacts during this audit include:

- Mr. Nick Johnson, Superintendent
- Mr. David Wright, Director, Special Education
- Ms. Terri Coon, Administrative Assistant

South Bend School District is located in Pacific County and consists of one elementary school, one middle school and one high school. The 1995-96 district enrollment was 486 students, of which 73 were special education students. The special education enrollment has decreased to 15 percent of the total enrollment from the 1994-95 percentage of 17.38.

AUDIT RESULTS

Objective 1:

To determine whether the South Bend School District Special Education Program effectively and efficiently provides a Free and Appropriate Public Education (FAPE) to special education students as defined by the *Washington Administrative Code* (WAC).

Conclusion:

WAC 392-172-035 defines FAPE as special education and related services that are provided at public expense, meet the standards of the state education agency, include preschool, elementary school or secondary school education and conform with individualized education program requirements. The South Bend School District Special Education Program provided FAPE to its 1995-96 special education students.

The district has a referral and evaluation process for students with needs that may not be met exclusively in the general education classroom. In 1995-96, the special education enrollment for the district was above the 12.7 percent index established by the new funding formula. Districts have been accorded a four year window to decrease, if necessary, their special education enrollment. The district may lose funding for students over the 12.7 percent index. For this reason, the district has begun to take a closer look at students to assess whether they are “in need of special education services” or whether accommodations or modifications can be made in the general education setting. The district is also considering more education alternatives to address deficits before referring students to special education.

The district’s special education program is based on a traditional resource room, pull-out program. The program does incorporate in-class services at the secondary level. The district has an elementary program for students K-6 and a secondary program for students in grades 7-9. There is also a community based transition program for secondary students.

In the 1995-96 school year, the district offered a preschool program for ages 3-5. For 1996-97, the district sends its preschool students to the Raymond School District for special education services. The districts combined the preschool program when certificated teaching personnel were not available for both districts. The district does not offer a program for special education children birth to age three.

The district participated in a special education cooperative with Raymond and Willapa Valley School Districts until the 1993-94 school year. South Bend chose to continue sharing special education personnel with its surrounding districts after the cooperative dissolved. The shared personnel include a speech therapist, a physical therapist, a psychologist and nursing and office support. South Bend bills the other districts monthly for services provided. This arrangement is beneficial to all of the districts since it is often difficult for smaller districts to find and hire related service personnel.

District Response:

No response.

Objective 2:

To evaluate the South Bend School District Special Education Program system of internal controls that ensure compliance with state and federal special education requirements.

Conclusion:

Internal controls are established to direct the special education referral process and ensure continuing compliance with special education requirements. We conducted interviews with the special education administrative team, certificated staff, a speech language pathologist and school psychologist to document and assess the staff's understanding and compliance with the process. The interviews and our file review established that an internal control process is in place, appropriate personnel are assigned to oversee the process and special education staff know and attempt to follow the process.

The district is aware of and follows the eligibility criteria for counting a student on the monthly P-223H Form. This criteria states that a student's evaluation and IEP must be current on the count date. We feel the district has adequate controls to ensure an accurate count.

District Response:

No response.

Objective 3:

To verify that the South Bend School District Special Education Program IEPs are appropriate and properly prepared.

Conclusion:

We reviewed 22 special education files for the 1995-96 school year to determine if they complied with federal and state procedural requirements and directives. The files were systematically chosen using the 1995-96 special education student roster. The 22 special education files reviewed were in compliance and the IEPs were appropriate and properly prepared.

District Response:

No response.

Objective 4:

To determine why the South Bend School District Special Education Program exhibits high rates of growth, extraordinarily high costs or other characteristics that require the attention of the Safety Net Committee.

Conclusion:

South Bend School District's special education enrollment decreased 2.38 percent between the 1994-95 and 1995-96 school years. In 1994-95, the special education enrollment was 17.38 percent of the total enrollment compared to 15 percent in 1995-96. As stated in Objective 1, the district may lose funding for students over the 12.7 percent index unless the special education enrollment continues to decrease.

The district received Maintenance of Effort State Revenue (MOESR) from the safety net in 1995-96. The MOESR award increased state special education revenue to its 1994-95 funding level based on a per pupil calculation. The district also submitted one high cost student application in 1995-96. The district received partial funding for this student.

We reviewed the safety net application and related expenditures under the high cost award. We found the district applied for interpreter services provided to a special education student. The district has provided the student interpreter services for several years. The expenditures under the high cost award were appropriate.

Before 1995-96, the special education formula automatically allocated a part of the basic education revenue to the special education program. This allocation was based on an assumed amount of time that students spent in special education programs. The formula also assumed that the greater the amount of time spent in special education classes, the more basic education delivered in the special education program.

The new formula allows districts to allocate the basic education dollars associated with special education students. Presumably, the district can better allocate basic education revenue based on the actual service delivery patterns. The allocation could result in more or less basic education revenue available to the special education program. However, all of the basic education revenue is at the school district to serve those students. In 1995-96, the district made about the same amount of basic education revenue available for special education programs as would have been allocated under the previous funding formula.

A comparison of the district's special education programs from 1994-95 to 1995-96 indicated that the district has continued services with only minor changes to its program. In reviewing program expenditures, we noted that the district accounted for all special education expenditures, including the portion related to basic education revenue, within the special education program. This may affect the district's ability to meet federal maintenance of effort requirements.

With the change in the funding formula, the maintenance of effort test performed at the state level was adjusted to compare only special education excess costs from one year to the next. This adjustment to isolate and compare excess cost was only done for the 1994-95 school year. The district's 1995-96 special education expenditures include all costs, not just the excess costs, expended in the program. We recommend the district work with the Office of Superintendent of Public Instruction to ensure the district's maintenance of effort tests are properly performed.

The district also has a higher percentage of students with mental retardation than state averages. This percentage was comparatively the same in 1994-95. We were unable to determine the reason for this higher percentage and the possible future effects on the district. The remaining special education enrollment is similar to the state averages for each disability category.

District Response:

No response.

Objective 5:

To identify elements of the South Bend School District Special Education Program that could be considered for implementation at other school districts.

Conclusion:

We did not identify specific elements of the district program that could be considered for use at other districts. However, it is evident the South Bend School District Special Education Program is committed to meeting the needs of its students. Cooperation exists between the general and special education staffs and there is community support for the school district.

District Response:

No response.

ADDITIONAL INFORMATION

It is important to note that this audit does not replace or otherwise duplicate, the regularly scheduled audit of the district that includes a review of financial statements and compliance with laws and regulations. Accordingly, we do not express any opinion related to those items in this report. We did consult with the financial auditors and brought items to their attention when warranted.

The audit of the South Bend School District Special Education Program was performed in accordance with generally accepted government auditing standards. As such, it included such tests of records and other audit procedures we considered necessary, including a review of management controls where appropriate.

This report is a public document. To obtain additional copies of this report, or for questions related to the audit, address inquiries to the State Auditor's Office, P.O. Box 40021, Olympia, WA 98504-0021 or call (360) 753-4792.

South Bend School District No. 118

Special Education Program Audit

Addendum

Directory Of Officials

Elected

		<u>Term</u>	<u>Expiration</u>
Board of Directors:			
District 1	David Cox	4	November 1999
	Art Wuerth	2	November 1997
District 2	Lisa Olsen	4	November 1999
	(Vice Chairperson)		
	Vincent Shaudys	4	November 1999
District 3	Bryan Harrison	2	November 1997
	(Chairman)		

Appointed

Superintendent	Nick Johnson
Fiscal Officer	Terri Coon

Mailing Address

District	400 E First PO Box 437 South Bend WA 98586
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